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REPORT TO THE CONGRESS 6



Military Assistance And Commitments In The Philippines

B-133359

Department of State

Department of Defense

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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C To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the review of military assistance and commitments in the Philippines, which are administered by the Departments of State and Defense. It is an unclassified version of a classified report entitled "Military Assistance and Commitments in the Philippines" which we sent to you on September 18, 1972.

R The Chairman, Senate Foreign Relations Committee, requested 901200 on February 13, 1973, that we issue an unclassified version of the report. At that time, he provided us with information received from the Department of State which declassified portions of the classified report.

For a more comprehensive understanding of the matters discussed in this report and the position taken by the Departments of State and Defense on the content of the report, we refer you to the classified report.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of State; and the Secretary of Defense.

A handwritten signature in black ink, reading "James B. Stets".

Comptroller General
of the United States

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COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

MILITARY ASSISTANCE AND
COMMITMENTS IN THE PHILIPPINES
Department of State
Department of Defense B-133359

D I G E S T

WHY THE REVIEW WAS MADE

In June 1970 the General Accounting Office (GAO) reported to the Chairman, Subcommittee on U.S. Security Agreements and Commitments Abroad, Senate Committee on Foreign Relations, on its review, conducted at his request, of U.S. assistance to the Philippine Government in support of the Philippine Civic Action Group dispatched to Vietnam.

In view of the problem areas noted during the 1970 and earlier reviews, GAO stated its intention of making a more detailed review of U.S. assistance to the Philippines and of reporting the results to the Congress.

Accordingly, this review was directed toward inquiring into all aspects of the military agreements and commitments with the Philippine Government. Special emphasis was placed on the U.S. military assistance program and the inter-relationship of the Military Assistance Agreement with other United States-Philippines military agreements.

FINDINGS AND CONCLUSIONS

U.S. military assistance has been directed toward providing advice and equipment to assist the Phil-

ippine Armed Forces in assuming a greater share of the responsibility for their self-defense. Military assistance and related programs for the Philippine Armed Forces amounted to about \$777 million through fiscal year 1972. (See p. 15.)

The Department of Defense has continued to provide military assistance to the Philippines, although the Philippine Government has not provided adequate financial support for its own forces. Furthermore, the Philippine Government has not furnished the resources necessary to effectively use the U.S. military assistance provided. (See p. 15.)

GAO found that:

- The situation concerning the limited Philippine budget support was similar to that brought to the attention of the Department of Defense in a 1965 GAO report. (See p. 8.)
- U.S. military grant aid, which should have been used to improve the capabilities of Philippine forces, was used to cover operating costs. (See p. 19.)
- The Department of Defense paid the military advisory group's administrative expenses which, by

agreement, were intended to be paid by the Philippine Government. (See p. 20.)

--The military advisory group provided preferential terms to the Philippine Government by allowing it to retain and sell surplus U.S. property. (See p. 21.)

--The Department of Defense and the military advisory group provided the use of equipment and military personnel not funded under the military assistance appropriation. (See p. 24.)

--Additional U.S. assistance was provided as compensation for the dispatch of Philippine troops to Vietnam. (See p. 26.)

--In GAO's opinion, the effectiveness of the Philippine Armed Forces was affected by limited defense funding and logistical problems. (See p. 37.)

GAO also found that:

--Potential savings, of an undetermined amount, were not being realized because the Philippine Armed Forces had not fully identified and reported excess material to the Department of Defense for redistribution. (See p. 34.)

--Annual levels of U.S. support were computed from unreliable data because the military advisory group did not have accurate records of the equipment on hand in Philippine Armed Forces units. (See p. 34.)

GAO believes that these matters demonstrate the continued need for U.S. officials to develop an environment more favorable to identifying means of effectively attaining

mutual security objectives, to insure the effectiveness of the military aid program and to obtain a greater Philippine commitment in support of mutual security objectives.

RECOMMENDATIONS OR SUGGESTIONS

172 The Secretary of State and the Secretary of Defense should instruct U.S. representatives and advisors to the Republic of the Philippines to: 32

--Reemphasize the requirement for the Philippine Government to furnish sufficient resources to effectively use, maintain, and support the assistance provided.

--Reassess the status of prior concessions made by the United States to compensate for inadequate Philippine budgetary support.

--Endeavor to negotiate an agreement reflective of the current capability and intent of the parties to perform.

--Consider whether alternative forms of aid, such as an expanded economic aid program or a greater emphasis on civic action programs, might better serve the mutual security interests of both the United States and the Philippines. (See p. 29.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

For the most part the Departments of State and Defense agreed with the GAO recommendations. They stated that the limited Philippine funding was expected to improve, as indicated by increases in expenditures on

national security at a rate of more than 1-1/2 times the rate of growth in the Philippine gross national product. (See pp. 27 and 28.)

The Departments said that the initiation of alternative aid programs in lieu of military aid was not considered appropriate because (1) the various aid programs had been established by criteria relevant to the problems the programs could help solve and (2) a reduction in military aid would reduce the Philippine Government's ability to maintain law and order. (See p. 29.)

GAO finds the Departments' responses to the recommendations favorable, in general, and believes that the recommended actions are long overdue. In the event that the expected improvements are not made, GAO believes that the Departments should reconsider the matter of alternative forms of aid.

MATTERS FOR CONSIDERATION
BY THE CONGRESS

The Congress has been made aware by prior GAO reports of the long-term

inability and/or reluctance of the Philippine Government to provide adequate support for its defense effort. This report contains information which may be useful to the Congress in its examination into military assistance matters and the U.S. efforts to obtain mutually agreed upon levels of Philippine funding in support of mutual security objectives.

The Congress may wish to consider what level of funding of aid to the Philippines is appropriate for achieving U.S. objectives¹ and what alternative aid programs or approaches are more likely to be well received and successful in the event that (1) U.S. efforts to obtain a greater Philippine commitment in support of mutual security objectives prove unsuccessful and (2) the Departments of State and Defense do not reconsider the matter of alternative programs.

¹For a clarification of U.S. objectives, GAO refers the reader to its classified report to the Congress "Military Assistance and Commitments in the Philippines", B-133359, dated September 18, 1972.

CHAPTER 1

INTRODUCTION

The United States has long considered the Philippines to be an area of vital interest in formulating foreign policy and defense strategy in Southeast Asia. The basic U.S. foreign policy objective in the Philippines has been to preserve it as an independent and democratic nation, friendly to the United States and maintaining a foreign and defense policy in general alignment with U.S. policy. This U.S. objective has been congruous with the Philippine Government's own interest in maintaining its political independence and territorial integrity.

U.S. military obligations to the Philippines are defined in four interrelated military agreements. These are (1) the bilateral Military Bases Agreement of 1947, (2) the bilateral Military Assistance Agreement of 1947, (3) the bilateral Mutual Defense Treaty of 1951, and (4) the Multilateral Southeast Asia Collective Defense Treaty of 1955.

The agreements have served the interests of both the United States and the Philippines for years. The passing of time, however, has changed the United States-Philippines relationship. This change was demonstrated by the Philippine participation in Vietnam, which was small compared with its efforts in Korea. Additionally, the controversy surrounding the funding arrangements for dispatch of a Philippine contingent to Vietnam brought into focus the strains which had developed over the years with regard to the U.S. presence in the Philippines. Arrangements with the Philippines--now one of the many Asian partners of the United States--are being reviewed by both Governments in light of the U.S. phasedown in Vietnam and the promulgation of the Nixon Doctrine.

In 1969 the Philippine Government expressed a desire to renegotiate the Military Bases Agreement. The U.S. plans for the negotiations, which began in February 1971,¹ must

¹An official from the Department of State advised us in February 1973 that technical discussions were completed in 1972 but that no formal negotiations had taken place since 1972.

take into account the relationships among the bilateral and multilateral agreements.

A complicating factor to an abrupt change in the Philippine position on the defense agreements is that the Philippine Government has taken for granted that the United States will come to its assistance if it is attacked. Accordingly, it has devoted limited financial resources to building a military force.

On June 1, 1970, we reported to the Chairman, Subcommittee on U.S. Security Agreements and Commitments Abroad, Senate Committee on Foreign Relations, on our "Review of U.S. Assistance to the Philippine Government in Support of the Philippine Civic Action Group Dispatched to Vietnam" (B-168501). In the report, we stated our intention to make a more detailed review of U.S. military assistance to the Philippines and to report the results to the Congress.

Prior GAO reports on military assistance to the Philippines were made in April 1961 (B-133359) and March 1965 (B-133359). We made a followup review on excess military assistance program property in the Philippines, and in July 1967 submitted a report entitled "Release of Excess Military Assistance Program Property to Recipient Countries" (B-161049). In 1968 and 1969, we made a survey of the administration of U.S.-owned local currency funds in the Philippines and reported our findings to the Secretary of Defense (B-146820).

This review was performed at the offices of the Joint United States Military Advisory Group, at U.S. and Philippine military installations in the Philippines, and at the Departments of State and Defense in Washington, D.C. We analyzed records, interviewed responsible officials, examined legislation and directives, and reviewed agreements and various documents concerning United States-Philippines relations. The fieldwork was completed early in 1971, and our draft report was submitted to the Departments of State and Defense for comment in October 1971.

In March 1972 we received their comments. These comments were incorporated into our initial report to the Congress of September 18, 1972, and, because of their security classification, have been excluded from this report.

This report, prepared at the request of the Chairman, Senate Foreign Relations Committee, is an unclassified version of our September 1972 report.

CHAPTER 2

CURRENT PHILIPPINE GOVERNMENT SUPPORT

OF THE MILITARY ASSISTANCE PROGRAM

COMPARED WITH THAT REPORTED IN 1965

During this review we found that the Department of Defense was continuing to provide military assistance to the Philippine Armed Forces even though the Philippine Government was providing insufficient financial support and had not provided adequate support for a number of years. We had reported a similar situation in 1965.

Nevertheless, the Department of Defense has not required improved Philippine Government support as a precondition for further military assistance. We noted that the Department has continued to pay the military advisory group administrative support costs which by agreement should be paid by the Government of the Philippines. Additionally, the military advisory group without authorization donated to the Philippine Armed Forces interest earned on U.S.-owned local currency which should have been returned to the U.S. Treasury.

The above matters are similar to those which were brought to the attention of the Department of Defense in our report on "Review of Military Assistance Provided to the Republic of the Philippines" (B-133359, March 26, 1965). Concerning the limited budgetary support, we reported in 1965 that:

- The Philippine financial support of its Armed Forces had not been sufficient to provide funds needed to operate and maintain U.S.-furnished equipment and facilities.
- The limited military budget support of the Philippines reflected the higher priority placed on economic and social development.
- Substantial amounts of appropriated funds were spent by the United States because military advisory personnel either had been unable to obtain or had

waived rights to reimbursement for certain administrative expenses of the military advisory group which the Philippine Government had agreed to furnish.

--U.S.-owned foreign currency had been furnished to the Philippine Armed Forces far in advance of its need for authorized construction program purposes. The Philippine Armed Forces had deposited significant amounts of these funds in interest-bearing bank accounts. The Department advised us then that steps would be taken to provide for the release of U.S.-owned foreign currency only when needed to pay current obligations.

In following up on the situation presented in the 1965 report, we found, as stated earlier, that the Philippine Government had still not provided the resources necessary to insure the effective use of the U.S.-furnished military assistance.

The Department has continued to pay most of the administrative support expenses of the military advisory group. However, the practice of donating the interest earned on U.S.-owned local currency was discontinued after we called this practice to the attention of U.S. military advisors in November 1968. (This matter was reported to the Secretary of Defense on April 24, 1969, B-146820.)

These and other matters noted during this and earlier reviews are covered more extensively in the following chapters.¹

¹Some matters covered in our review have been deleted for security reasons. For discussion of these matters, and to place the following topics in a more complete perspective, we refer the reader to our classified report to the Congress "Military Assistance and Commitments in the Philippines", B-133359, dated September 18, 1972.

CHAPTER 3

U.S. BASES AND MILITARY COMMITMENTS IN

THE REPUBLIC OF THE PHILIPPINES

MILITARY BASES AGREEMENT

On March 14, 1947, the United States and the Philippines entered into the Military Bases Agreement. This agreement provided to the United States the use of certain lands of the public domain of the Philippines, free of rent, for a period of 99 years for mutual defense. The period of use was later shortened to 25 years, which began September 16, 1966.

The Military Bases Agreement has been the source of considerable friction between the United States and the Philippines and the object of numerous anti-American demonstrations in Manila. Many Filipinos consider the terms of the agreement to be an infringement on their national sovereignty. Criminal jurisdiction arrangements for members of the U.S. Forces stationed in the Philippines are most often cited in this connection.

In 1969 the Philippine Government expressed a desire to renegotiate the Military Bases Agreement. In March 1972, the negotiations were still being conducted. The negotiations are subject to the influence of President Nixon's Asian doctrine which calls for the United States to maintain its treaty commitments and to provide a nuclear shield for its allies. In cases involving other types of aggression, however, the doctrine provides that the United States will furnish military aid and economic assistance in accordance with treaty commitments but will look to the recipient nation to assume primary responsibility for providing manpower for its own defense.

U.S. military bases in the Philippines are considered by the Department to be essential to carry out U.S. commitments under the Mutual Defense Treaty of 1951 and the Southeast Asia Treaty Organization agreement.

MILITARY ASSISTANCE AGREEMENT

The United States and the Philippines entered into the Military Assistance Agreement 1 week after the Military Bases Agreement was signed. The aid agreement was made retroactive to July 4, 1946, and was renewed, once in 1950 and again in 1953, to extend its terms indefinitely subject to (1) provisions of other U.S. mutual defense acts and (2) 1 year's notice of termination by either country.

The Military Assistance Agreement, and the extensions thereto, provided that the United States furnish military assistance in the form of training and equipment and establish a Joint United States Military Advisory Group to assist and advise the Philippines on military and naval matters. The agreement also provided that the Philippines undertake to make effective use of the military assistance furnished to it for the purposes for which it was furnished.

U.S. COMMITMENTS FOR DEFENSE OF THE PHILIPPINES

The United States is committed under the Mutual Defense Treaty of 1951 and the agreements of the Southeast Asia Treaty Organization to take action in the event of an armed attack on the Philippines. The United States is not, however, committed by the agreements to any specific course of action, nor has the United States designated, under the agreements, any specific forces or equipment to defend the Philippines.

Mutual Defense Treaty

Under the Mutual Defense Treaty, the United States and the Philippines agreed to consult whenever, in the opinion of either Government, the territorial integrity, political independence, or security of either is threatened by external armed attack. Each party recognizes that an armed attack on either country is dangerous to its own peace and safety and declares that it will act to meet the common dangers in accordance with its constitutional processes. An armed attack includes an attack on the metropolitan territory of either country; on the island territories under its jurisdiction in the Pacific; or on its armed forces, public vessels, or aircraft in the Pacific.

Multilateral security agreement

In addition to its bilateral military agreements with the United States, the Philippines is a signatory of the multilateral Collective Defense Treaty with Australia, France, New Zealand, Pakistan, Thailand, the United Kingdom, and the United States. The signers of the Collective Defense Treaty are commonly referred to as the Southeast Asia Treaty Organization members. Under the treaty, each member recognizes that aggression by armed attack in the treaty area on any of the parties, or on any state or territory unanimously designated, would endanger its own peace and safety and agrees to act to meet the common danger in accordance with its constitutional processes. The United States has limited its commitment by an understanding that the effect of the foregoing statement applies only to communist aggression.

The treaty provides that each party, separately and jointly, by self-help and mutual aid, "will maintain and develop their individual and collective capacity to resist armed attack and to prevent and counter subversive activities directed from without against their territorial integrity and political stability."

MISSION OF U.S. MILITARY BASES IN THE PHILIPPINES

Prior to fiscal year 1972, there were four major U.S. military installations--Clark Air Base, Subic Bay Naval Base, the Naval Communication Station, and Sangley Point Naval Station¹--and several smaller military facilities in the Philippines. (See map in app. II.) The primary mission of the larger U.S. bases is to provide logistical support to U.S. Forces in Southeast Asia.

¹The Navy advised us that Sangley Point Naval Station was transferred to Philippine Government control in September 1971. In terms of U.S. investment, we were informed that since 1905 the United States had spent about \$50 million for construction of physical installations at Sangley. We were advised that, while in bookkeeping terms much of the cost had been amortized, there were new buildings which had only recently been completed and which were in virtually new shape.

The fiscal year 1971 operating costs of the U.S. Air Force facilities committed to air defense under the mutual defense agreements were as follows:

<u>U.S. Air Force facility</u>	<u>Operating costs</u> <u>(thousands)</u>
Wallace Air Station:	
U.S. military personnel cost	\$ 980
Operation and maintenance cost	246
Philippine Air Defense Control Center:	
U.S. military personnel cost	249
Operation and maintenance cost	28
405th Fighter Wing:	
U.S. military personnel cost	107
Operation and maintenance cost	<u>198</u>
Total	<u>\$1,808</u>

The mission of these bases includes the defense of the Philippines against external attack, should this become necessary, under the Mutual Defense Treaty and Southeast Asia Treaty Organization agreements. A discussion of the missions of these bases is included as appendix I.

Economic impact of bases in the Philippines

At June 30, 1971, there were 21,892 U.S. military and civilian employees located at U.S. bases in the Philippines. During fiscal year 1971 the cost of operating these bases--including military salaries--amounted to about \$219 million.

U.S. military bases in the Philippines have had a significant impact on that nation's economy. They provide an important source of employment for Filipinos and foreign exchange for the Philippine Government. The Philippine economy, and consequently local officials, is extremely sensitive to any reductions in U.S. troop strengths at the bases because, at the time of our review, (1) the unemployment rate in the Philippines was about 25 percent of the labor force with little prospect for improvement, (2) adjacent to each base were communities directly dependent on base expenditures, and (3) Philippine foreign-exchange reserves were low.

Since fiscal year 1969, the United States has been making gradual reductions in the number of troops stationed in the Philippines. In July 1970 the Department of Defense announced a 6,000-man cutback in troop strength. The political reaction in Manila to the reductions has been mixed. In view of the rising nationalism, politicians have been pleased; however, they are concerned that the economic implications of the cutback could be quite severe.

CHAPTER 4

OBJECTIVES AND FINANCIAL SUPPORT

FOR THE MILITARY ASSISTANCE PROGRAM

The Philippine Government has not provided the resources necessary to effectively utilize U.S. military assistance and, in some cases, has not complied with the terms of the Military Assistance Agreement. Our review showed that:

- U.S. military grant aid, which should have been used to improve the capabilities of Philippine Armed Forces, was used to pay operating expenses because the Philippine Government did not provide adequate financial support.
- The United States paid the military advisory group's administrative support costs which, by agreement, were intended to be paid by the Philippine Government.
- The military advisory group provided preferential terms to the Philippine Government by allowing it to retain and sell surplus U.S. property.
- The Department of Defense and the military advisory group provided the use of equipment and military personnel not funded under the military assistance appropriation.
- The military advisory group donated, to the Philippine Armed Forces, interest earned on U.S.-owned local currency which should have been returned to the U.S. Treasury.
- Additional U.S. assistance was provided as compensation for the dispatch of Philippine troops to Vietnam.

AMOUNT AND OBJECTIVES OF MILITARY AID

With minor exceptions, the United States has provided all major items of military equipment and most of the

training received by the Philippine Armed Forces. Through fiscal year 1972, U.S. military assistance has totaled about \$777 million.

According to the Departments of State and Defense, the primary goals of U.S. military assistance to the Philippines stem from foreign policy objectives. Advice and assistance are provided to the Philippine Armed Forces in the form of training, material, and services, as necessary and within resources made available by the Congress of the United States, to insure protection of U.S. interests in the Philippines and to promote U.S. foreign policy objectives. The Departments have identified the military aid objectives, as follows:

- To help maintain the United States-Philippines defense partnership in Southeast Asia.
- To assist in creating an internal security capability in the Philippines.
- To accelerate Philippine economic development through training in the use and maintenance of equipment which has both military and civilian uses.
- To promote the regional alliance system by supporting a Philippine capability to deploy limited forces within the Southeast Asia Treaty Organization area for mutual defense tasks.

The wording of the Military Assistance Agreement also makes reference to the use of U.S. bases in the Philippines, as follows:

* * * considering the Agreement between the United States of America and the Republic of the Philippines concerning military bases, signed March 14, 1947, * * * the President of the United States of America has authorized the rendering of military assistance to the Republic of the Philippines.

Following are our observations on the implementation of the Military Assistance Program in the Philippines.

INADEQUATE PHILIPPINE FINANCIAL SUPPORT

The Philippine Government has not contributed the financial support necessary to properly maintain or operate U.S.-provided equipment. U.S. assistance, which should be used to improve the capabilities of the Philippine Armed Forces, has been used to pay the Philippine Armed Forces' operating costs. U.S. attempts to gain greater Philippine support have not been successful.

According to the Department of Defense, Philippine Government defense expenditures have consistently been among the lowest of all U.S. military aid recipients in the Far East. During the years 1964 through 1971, the Philippines annually expended an average of about 12 percent of the total national budget for defense. The result has been that the Philippine Government has relied on the United States to support its defense establishment and to provide security against external aggression.

An analysis of the Philippine defense budget showed that over 65 percent of the budget was spent solely for personnel costs. The budget did not cover all of its Armed Forces' operating costs, and U.S. military grant aid was used to pay many of these costs.

During fiscal years 1964 through 1971, 55 percent of the U.S. military grant aid was used to cover the Philippine Armed Forces' operating costs, and the percentage has been growing during recent years. The following schedule summarizes the use of U.S. military grant aid during this period.

<u>Fiscal year</u>	<u>Development</u>	<u>Operating</u>	<u>Total</u>	<u>Percent for operating costs</u>
<hr/> (millions) <hr/>				
1964	\$12.1	\$ 9.3	\$ 21.4	43
1965	12.7	9.4	22.1	43
1966	12.2	10.8	23.0	47
1967	15.1	11.5	26.6	43
1968	9.7	11.6	21.3	54
1969	5.2	13.0	18.2	72
1970 ^a	3.4	12.5	15.9	78
1971 ^a	<u>2.7</u>	<u>12.4</u>	<u>15.1</u>	82
Total	<u>\$73.1</u>	<u>\$90.5</u>	<u>\$163.6</u>	55

^aAmounts do not include unallocated training, packing, crating, handling, and transporting costs of \$2.8 million.

Although the Military Assistance Command has attempted to obtain greater Philippine self-support, the Philippine Government has failed to appropriate the needed funds.

For example, the military advisory group proposed that the Philippines assume \$4.5 million of the fiscal year 1965 operating costs. Under the proposal, Philippine Government support was to increase each year until 1970. The proposal for fiscal year 1965 was accepted by the Philippine Armed Forces Chief of Staff. Accordingly, certain of the operating expenses which had been paid from U.S. grant-aid funds were deleted from the fiscal year 1965 military assistance program. One type of item specifically deleted was commercial consumables--such as gasoline, batteries, and tires--which could be procured from commercial firms in the Philippines. The Philippine budget, however, failed to provide funds for commercial consumables. As a result, operational readiness was reduced, excessive numbers of equipment were deadlined, and Philippine military training and operations were impaired. Because of this, the military advisory group, with Department of Defense approval, reinstated U.S. support for commercial consumables.

In November 1969 the military advisory group proposed that U.S. financing for commercial consumables be phased out over the 3 fiscal years, 1970 through 1972. Although this plan was also accepted by the Philippine Armed Forces Chief of Staff, we noted that the approved Philippine Armed Forces maintenance budget, under which commercial consumables were funded, failed to provide additional funds and instead was reduced in fiscal year 1971. We were advised, however, that no commercial consumables were programmed under the grant-aid program after fiscal year 1972.

As previously shown, the annual percentage of grant aid programmed for operating costs had been increasing. The Department of Defense advised us that these increases resulted from the inability of the Philippine Armed Forces to compensate for unexpected reductions in the U.S. grant-aid program. The Department stated that, as a result, reductions had to be made in the grant-aid amounts allocated for development costs to prevent the operational incapacity of the Philippine Armed Forces. We were advised, however, that the military advisory group had insisted that the Philippine Armed Forces be prepared to assume additional operational costs in the future.

The military assistance congressional presentation document for fiscal year 1973 estimates that 63 percent of the fiscal year 1972 grant-aid program will be used to cover operating costs. This document also estimates that only 33 percent of the grant-aid program will be used to cover operating costs for fiscal year 1973. It should be noted, however, that there was a change in categorizing investment and operating costs for fiscal year 1973 and that this change may account, in part, for the decrease in fiscal year 1973 operating costs.

PAYMENT OF ADMINISTRATIVE SUPPORT COSTS
FROM U.S.-OWNED LOCAL CURRENCY

During fiscal years 1960 through 1971, the United States expended \$6.3 million for administrative support costs of the military advisory group. Under the Military Assistance Agreement, these costs should have been paid by the Philippine Government. We found that U.S. attempts to obtain Philippine compliance with the agreements had been unsuccessful.

The Military Assistance Agreement specifically states that the Philippines, subject to the provision of the necessary appropriations, will defray the costs for suitable living quarters for U.S. advisors and their families, office space used in the conduct of official business, and all services required by U.S. personnel to carry out the terms of the agreement. Since 1960 the administrative expenses in these categories have totaled \$9.5 million.

The Philippine Government, however, has contributed \$3.2 million, or only about 33 percent of the total expenses. As shown below, Philippine contributions have gradually declined since 1960.

<u>Fiscal</u> <u>year</u>	<u>Total</u> <u>eligible</u> <u>costs</u>	<u>U.S.</u> <u>payments</u>	<u>Philippine</u> <u>contribu-</u> <u>tions</u>	<u>Percent</u> <u>provided</u> <u>by the</u> <u>Philippines</u>
<hr/> (thousands) <hr/>				
1960	\$ 826	\$ 160	\$ 666	81
1961	846	418	428	51
1962	806	430	376	46
1963	710	447	263	37
1964	861	657	204	24
1965	861	720	141	16
1966	713	535	178	25
1967	744	562	182	24
1968	771	559	212	27
1969	897	680	217	24
1970	800	640	^a 160	20
1971	<u>619</u>	<u>493</u>	<u>^a126</u>	20
	<u>\$9,454</u>	<u>\$6,301</u>	<u>\$3,153</u>	33

^aDecrease in Philippine contributions due, at least partially, to higher exchange rates used to compute dollars after peso devaluation in 1970.

During the past several years, the military advisory group has made repeated attempts to obtain Philippine compliance with the agreement. These attempts, however, have been unsuccessful.

The Department of Defense advised us that this matter was, as pointed out by GAO, a part of the overall problem of inadequate funding by the Philippine Government of its own defense effort.

SURPLUS U.S. PROPERTY PROVIDED TO THE PHILIPPINE ARMED FORCES

The Department of Defense and the Joint United States Military Advisory Group have allowed the Philippines to retain \$4 million from the sale of surplus U.S. military property. This property, originally provided to the Philippine Armed Forces and subsequently declared surplus, could have been recovered and sold by the United States. United States-Philippines agreements, however, have permitted the Philippines to sell the property and retain most of the proceeds. We found that the Philippine Armed Forces had not used the funds in accordance with the agreement.

Donation of sale proceeds

Through fiscal year 1971, the Philippine Armed Forces declared property with an acquisition cost of \$127 million excess to its needs. Of this, the United States recovered property valued at about \$16 million and donated property valued at about \$108 million to the Philippines.¹ Although we were unable to determine the disposition of all property provided to the Philippines, we learned that portions of it had been sold and that proceeds totaling about \$4.2 million were realized from the sales. From this, the Philippine Government received \$4 million and the United States received \$181,000.

Section 505 of the Foreign Assistance Act of 1961, as amended, provides that, unless the President consents to other disposition, all economically recoverable articles no

¹Action was still pending on the balance at the time of our review.

longer required by the recipient country be returned to the United States for such use or disposition as the President considers in the best interest of the United States. This authority for determining what is in the best interest of the United States was delegated by the President to the Secretary of Defense.

Department of Defense directives, issued pursuant to the above delegation of authority, allow certain exceptions when bilateral agreements permit the recipient country to dispose of the property. Through the end of fiscal year 1965, the Philippines retained all the sales proceeds and, although the United States made several attempts to negotiate more favorable agreements, the attempts were not successful. For example, during fiscal year 1966 the military advisory group proposed that the agreements be changed to provide that (1) the fiscal year 1967 proceeds be divided evenly and (2) beginning in fiscal year 1968, the United States receive two-thirds of the proceeds and the Philippines one-third. The Philippine Government, however, rejected the proposal, and in March 1966 an agreement was reached whereby the Philippines received 90 percent of the fiscal year 1966 sales proceeds and the United States received the remaining 10 percent. This agreement has been renewed each year since 1966.

The Department of Defense, in response to an earlier GAO report, had advised us that continued provision to the Philippines of 90 percent of the sales proceeds for fiscal year 1967 was made subject to the Philippine approval of the deployment of a Philippine Task Force for Vietnam. In response to our comments concerning the distribution of sales proceeds in this report, however, the Departments of State and Defense advised us that the military aid surplus disposal agreements for 1969 and subsequent years were not related to the deployment of Philippine troops in Vietnam.

Use of the sales proceeds

The military advisory group has not enforced that part of the agreement which controls the use of the Philippine portion of the sales proceeds. As a result, the Armed Forces of the Philippines, with the approval of the military advisory group, have spent the funds for purposes which are contrary to the terms of the agreement.

Under the terms of the agreement, the Philippine portion of the sales proceeds are deposited into the Philippine military assistance program special project fund. Since 1969 the agreements have stipulated that the fund, including any interest earned, will be used for mutually agreed upon projects which improve the operational readiness and posture of the Philippine Armed Forces. The agreement also places first priority for using the funds for commercial consumables and recommends against the use of the funds for Philippine Armed Forces' civilian employees.

We found that the expenditures for fiscal years 1969 and 1970 did not conform to the agreement in that the fund was used to pay civilian salaries and only small amounts were used for commercial consumables.

It is our understanding that actions were taken to correct this condition. These actions are described in detail in our classified report previously referred to.

USE OF REGULAR U.S. MILITARY PERSONNEL
AND EQUIPMENT TO AUGMENT
THE MILITARY ASSISTANCE APPROPRIATION

U.S. assistance to the Philippines has been augmented by the use of regular U.S. military personnel and equipment. During our review we noted that special advisory teams were sent to the Philippines to provide temporary assistance and that the U.S. military commands provided equipment and personnel for use by the Philippines. The equipment and personnel were funded through the regular Department of Defense appropriation and were used to provide the Philippines with military aid in addition to the amounts provided by the Congress through the military assistance appropriation.

During 1969 and 1970, five U.S. military teams were detailed to assist the Philippine Armed Forces in training, supply, maintenance, and equipment operation. We estimate that these teams cost over \$300,000. Additional teams were planned for fiscal year 1971.

In another instance, the U.S. Air Force provided personnel and equipment during 1969 to assist the Philippines' rainmaking projects--seven weather scientists and two C-130 aircraft. According to the Department of Defense, this project resulted in the training of personnel of the Philippine Air Force and Weather Bureau to carry on such a program in future years.

In view of the above, we proposed that the Department of Defense restrict its assistance to that which had been authorized and approved by the Congress through the military assistance appropriation. The Department subsequently advised us that the above examples should be considered as specialized technical assistance rather than military assistance. The Department commented that requests for such assistance had been and would be closely monitored to insure that the primary thrust related significantly to U.S. interests.

We believe that such projects are a form of military aid since the Philippine forces obtain increased training or capability to perform their assigned missions, including civic action functions. In our opinion such projects should be listed and, if significant, described in the annual military aid congressional presentations. This approach would be consistent with the presentation of military advisory group personnel. Although military advisory personnel costs are not funded under the military aid program, the number of such personnel in each country is included in the annual presentations.

AUGMENTATION OF U.S. MILITARY AID BY DONATING
INTEREST EARNED ON U.S.-OWNED LOCAL CURRENCY

The military advisory group augmented the Philippine military construction program by donating the interest earned on U.S.-owned local currency. The interest should have been returned to the U.S. Treasury. However, the equivalent of over \$700,000 in Philippine pesos had been programmed to finance Philippine military construction projects. The majority of the interest, about \$546,000, was committed to construction projects at the Philippine Military Academy.

From June 1964 to January 1965, the military advisory group withdrew the equivalent of \$8.6 million in U.S.-owned local currency. The local currency, which had been generated through sales of surplus U.S. agricultural products, was made available by the Agency for International Development to finance Philippine military construction projects. Our review showed that the military advisory group withdrew the funds in advance of project needs and invested them in short-term promissory notes and interest-bearing time deposits. By June 1969 interest totaling \$940,000 had been earned on the investments. We were informed by the Comptroller, military advisory group, that the funds had been withdrawn to insure that the interest could be used to finance further construction rather than having been allowed to revert to the U.S. Treasury.

In April 1969 we called this practice to the attention of the Secretary of Defense and stated that the applicable laws--title I of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1701), and section 402 of the Mutual Security Act of 1954, as amended (22 U.S.C. 1922)--did not authorize the use of the interest by the Philippines. Our report stated that the interest should have been deposited into the U.S. Treasury as miscellaneous receipts under section 3617, The Revised Statutes of the United States (31 U.S.C. 484).

On the basis of our recommendation, the practice was discontinued. In addition, the military advisory group deposited \$211,000 in interest into the U.S. Treasury and returned \$1.4 million in unused principal. We are reiterating this example as being demonstrative of another method by which military assistance to the Philippines has been augmented without congressional approval or authority.

ASSISTANCE RELATED TO DISPATCH OF
PHILIPPINE CIVIC ACTION GROUP TO VIETNAM

The possibility that the Philippines would send a military unit to Vietnam was established during discussions between former President Lyndon B. Johnson and former President Diosdado Macapagal of the Philippines during the latter's state visit to the United States in October 1964. It was publicly reported at that time that the emergence of this possibility was an outgrowth of President Johnson's desire to get other free-world forces to join the U.S. cause in Vietnam. Subsequent discussions were held between U.S. Embassy personnel in Manila and President Macapagal as early as December 1964 and were continued with the succeeding President of the Philippines, Ferdinand E. Marcos.

The Department of State advised us that it was understood by both the United States and Philippine Governments that, if the Philippines sent a contingent to Vietnam and continued its effort to meet the Philippine's own internal development needs, assistance from the United States would be required. Philippine officials were fearful, however, that such assistance might convey a mercenary connotation for the Philippine unit. In any event, President Marcos felt that, to make headway in gaining congressional approval of his aid-to-Vietnam legislation, he would have to demonstrate that he was moving ahead on Philippine domestic programs. Some form of U.S. assistance for such programs would be most helpful. Various kinds of assistance were considered by the United States, including expanded assistance under the military assistance program and additional Public Law 480 and other economic aid. The U.S. assistance for domestic civic action and antismuggling programs, consisting of construction equipment and patrol craft, was also mentioned, ostensibly as a device for helping President Marcos' aid-to-Vietnam bill through the Philippine Senate.

Available evidence indicated that approximately \$16 million in equipment was furnished to Philippine Army engineer construction battalions stationed in the Philippines. Also, the United States delivered directly to the Philippine Secretary of National Defense in Manila dollar checks totalling \$3.6 million between October 1966 and October 1969.

We found no evidence, except for the financial and military working arrangements in Vietnam, of any written agreements between the two Governments. Neither did the records to which we were permitted access indicate the limits of U.S. aid. Our review, however, was restricted by the Departments of State and Defense, and there might have been other pertinent documents to which we were not given access.

The Department of Defense advised us that the assistance supplied to the Philippines for the unit dispatched to Vietnam was sought by the Philippine Government and supplied by the United States and would contribute to internal security and civic action programs, both of which, in turn, would contribute to long-standing U.S. objectives in the Philippines.

DISCUSSION OF AGENCY COMMENTS

The Departments of State and Defense agreed that the Philippines had not provided adequate financial support for its Armed Forces but noted that the Philippine Government rationed financial support for the Armed Forces and for economic and social development as wisely as it could. The Departments commented that improved Philippine support had not been required as a precondition for further aid in consonance with stated congressional policy that assisted countries should be encouraged to give adequate recognition to the needs of the people in preparing programs and that special requirements, differing development needs, and political conditions would affect the priority of such programs and each country's ability to implement them. The Departments explained further that, in effect, such precondition would be inconsistent with the (1) basic purpose for providing assistance; i.e., to provide aid to those countries which cannot support their own needs, and (2) the basic U.S. policy of decreasing direct U.S. involvement by helping, through additional aid, U.S. allies to assume greater responsibility for their own defense (Nixon Doctrine).

The conclusions and recommendations presented in this report are not intended to suggest a cutoff in U.S. aid pending Philippine compliance with specified conditions. Rather, they are directed toward obtaining a more realistic attitude and continuing actions on the part of United States

and Philippine officials to identify mutual security objectives and improve the effectiveness of the military aid program.

We believe that such actions would not be inconsistent with stated policies. The Foreign Assistance Act of 1961, as amended, states that U.S. support is based on the principle of mutual aid and effective self-help. Further, the military aid agreement between the United States and the Philippines provides that the Philippines will undertake to make effective use of the military assistance furnished to it for the intended purposes. The Foreign Assistance Act requires, with certain exceptions, the Chief of the military advisory group to certify, before delivering defense articles having a value in excess of \$100,000, that the receiving country has the capability to effectively utilize such articles; we believe that this requirement shows the congressional intent that aid-recipient countries will provide the necessary resources to effectively utilize military assistance.

The Departments have agreed, for the most part, with our recommendations, as described below, and have noted that the situation is expected to improve in the future. The Philippine Government is increasing its expenditures on national security at a rate of more than 1-1/2 times the rate of growth of the country's gross national product. The Departments stated that this rate of growth appeared to be the best available indicator of the Philippines' ability and determination to provide sufficient financial support for its Armed Forces and to enable the effective utilization of U.S. military assistance.

CONCLUSIONS

The Philippine Government has not contributed sufficient financial resources to adequately maintain or operate U.S.-provided military equipment because of a number of reasons which are detailed in our previously mentioned classified report of September 18, 1972.

The United States has made further concessions by bearing costs which should be borne by the Philippines and by continuing to allow the Philippines to retain a high percentage of the proceeds derived from the sale of excess equipment previously furnished under the military aid program.

In our opinion, the above matters continue to demonstrate the need for efforts on the part of U.S. representatives to develop an environment more favorable to identifying means for attaining mutual security objectives and for insuring the effectiveness of the military aid program.

RECOMMENDATIONS

We recommend to the Secretary of State and the Secretary of Defense that their representatives and advisors to the Republic of the Philippines and its Armed Forces be instructed to:

- Reemphasize the requirement for the Philippines to provide sufficient resources to effectively use, maintain, and support the assistance provided.
- Reassess the status of prior concessions made by the United States to compensate for inadequate Philippine budgetary support.
- Endeavor to negotiate an agreement reflective of the current capability and intent of the parties to perform.
- Consider whether alternative forms of aid, such as an expanded economic aid program or a greater emphasis on civic action programs, might better serve the mutual security interests of both the United States and the Philippines.

The Departments of State and Defense advised us that the initiation of alternative aid programs in lieu of military aid was not considered appropriate because (1) the various aid programs had been established by criteria relevant to the kinds of problems the programs could help solve and (2) a reduction in military aid would reduce the Philippine Government's ability to maintain law and order.

The Departments agreed with the remaining recommendations. We find the Departments' responses to the recommendations favorable, in general, but believe the recommended actions are long overdue. In the event that the expected improvements are not made, GAO believes that the Departments should reconsider the matter of alternative forms of aid.

CHAPTER 5

EFFECTIVENESS OF THE

PHILIPPINE ARMED FORCES

We found problems common to all of the military services. These problems were generated by conditions generally attributed to an inadequate provision of funds by the Philippine Government in support of their equipment and to logistics problems.

We also found that unneeded supplies were being retained by the Philippine Armed Forces and that annual levels of U.S. assistance for major items of equipment were based on unreliable data.

The discussion of the Philippine Army below presents some of the problems found during our review of the Philippine military services.

PHILIPPINE ARMY

Inability of Philippine Army using units to properly maintain equipment

An examination of selected types of wheeled vehicles listed on the 1st Infantry Division and 3d Infantry Brigade equipment deadline reports showed that maintenance of these vehicles had been delayed because requisitions were not submitted when the equipment became deadlined and because required repair parts were not available when the requisitions were finally processed. This examination showed that delays in preparing requisitions for deadlined equipment ranged from 1 to 418 days and averaged about 33 days on 74 vehicles. The military advisory group estimated that a lack of commercial consumables caused about 35 percent of the vehicles to be deadlined.

In November 1969 the military advisory group established a special program to improve maintenance capabilities and reduce deadline rates in the 4th Infantry Division. On June 5, 1970, the Philippine Army reported that, although equipment-deadlined-for-parts reports had been submitted regularly to higher headquarters for priority action, supply

receipts had been too slow to effect any improvement. The percentage of valid requisitions filled monthly ranged from 2 to 56 percent for the period July 1, 1969, through April 30, 1970.

Our tour of the Station Hospital, 1st Infantry Division, revealed that 12 U.S.-furnished equipment items had not been used for from 1 to 8 years. Items included in this category were four biological refrigerators, three electrical surgical sterilizers, two X-ray units, a cold-storage unit, an air conditioner, and an elevator. The reasons furnished by the Philippine Army for nonutilization of this equipment were a lack of technical repair capability, a lack of repair parts, and an inadequate electrical power supply.

Philippine army civic actions programs

During the years 1966 through 1968, the United States provided the Philippines with about \$16 million in construction equipment, partially as payment for the Philippine assistance in Vietnam. Most of the equipment was provided as the result of a Joint Presidential Communique issued at the conclusion of a September 1966 meeting between Presidents Johnson and Marcos. The communique stated that, in accordance with President Marcos' program to expand the Philippine Army's civic action capability, the United States would provide equipment for five engineer construction battalions and would consider furnishing equipment for five more such battalions in the next fiscal year.

Our review showed that the equipment had not been effectively utilized and, consequently, had not made a significant contribution to the civic action program. We found that (1) the Philippine Government had utilized the engineer battalions for political purposes and had failed to provide adequate financial support, (2) the engineer battalions were significantly understrength, and (3) the equipment had not been properly maintained.

Political use and lack of financial support

Although the engineer construction battalions are a part of the Philippine Army, the presidential economic staff directs their operations. With the exception of military pay and allowances and U.S.-furnished repair parts, all financial support is provided by Philippine civil agencies.

The battalions were used in the 1969 presidential campaign. Prior to the campaign, the units were decentralized to permit barrio (village) feeder-road construction which would show government interest for the people at barrio levels. Most of the construction work was halted 45 days before the election to observe a ban on public works projects.

Construction projects resumed after the national elections of November 11, 1969; however, the primary limiting factor has been lack of funds, and fund shortages continued to hamper operations. Total work completed in 1969 amounted to \$1.3 million, or \$800,000 less than fiscal year 1968.

Equipment deadline rates

Despite extensive U.S. advisory assistance, the engineer construction battalions have experienced increases in the percentage of deadlined equipment. The reported deadline rate on essential equipment steadily increased from 15 to 28 percent over the 3-year period ended January 31, 1972.

The records reveal that major equipment items have been deadlined for maintenance or parts for extensive periods without prompt and effective followup by command and logistics personnel. Delays in obtaining necessary repair parts and supplies at the battalion level have been attributed to (1) problems in identifying needed parts due to a lack of technical manuals and supply catalogs, (2) inadequate stockage of spare parts by the supply points, and (3) the failure of the supply center to act on requisitions. Records show that for three battalions the supply center has filled less than 25 percent of the requisitions.

The United States has provided extensive advisory assistance to enhance the construction capabilities of the battalions by attempting to reduce the downtime on equipment, improve operator skills, and develop procedures for requisitioning and obtaining repair parts for critical items of equipment. Special advisory teams were attached to the military advisory group on three occasions between September 1967 and June 1970. We estimate that this special advisory effort cost about \$400,000.

FAILURE TO FULLY IDENTIFY AND
REPORT EXCESS SUPPLY PARTS

We found that potential savings of an undetermined amount were not being realized because the Philippine Armed Forces had not fully identified and reported excess supplies to the Department of Defense for redistribution. Although Philippine supply regulations required that line items with no issue transactions for 2 or more years be declared excess and turned in for redistribution or disposal, Philippine records and our review showed that this regulation had not been properly implemented. We found large numbers of excess supplies on hand at the supply depots.

The Philippine Armed Forces Supply Center reported that, in the last 2 years, there had been no demands on about 50 percent of the 67,000 line items stocked as of April 1970. Total value of the supply center's inventory was listed at about \$22.9 million.

The Philippine Naval Supply Center inventory consisted of about 70,000 line items valued at about \$6.6 million in July 1970. We noted that about 16,000, or 23 percent, of the total line items in stock were classified by the center as nonactive stock. This classification is given to items which have had no activity for at least 3 years. Our tests indicated that most of the items in this classification had not had demands in over 4 years and that some of the items had never had demands.

Our tests also showed that other supply management deficiencies, throughout the supply system, impeded the identification of excesses. At the supply activities visited, we found that requisitioning objectives had not been updated at specific intervals and that most of those tested were inaccurate. Also there was a lack of reliable data on stock balances. This latter problem was compounded by the practice of maintaining more than one stock-record card on some items and by poor warehousing practices that permitted the storage of a single line item at many different locations. For these reasons, physical inventory counts are difficult and time consuming. During our test of 73 line items randomly selected for review at the three major supply activities, we found that the stock-record cards on 53, or about 73 percent, reflected inaccurate on-hand balances.

We brought these matters to the attention of U.S. officials in the Philippines. We were advised that the identification and elimination of excesses in the Philippine Armed Forces was a high-priority project of the military advisory group.

The Department of Defense, in commenting on the above, stated that the Philippine Armed Forces have declared as excess 16 percent (about \$118 million) of the total military assistance material furnished between 1946 and 1970. The Defense Department noted, however, that additional property had not been used for extended periods and should have been declared excess and reported for redistribution. The Department advised that steps, such as wall-to-wall inventories of the material stored in Philippine supply center warehouses, were being taken to correct the problem.

In view of the Defense Department's recognition of the problem and the implementation of steps to further identify and report for redistribution excess property, we are not making any recommendations on this matter.

UNRELIABLE PROGRAMING DATA

Our tests of the detailed data used to compute and justify the annual levels of U.S. support showed the inventory documents were unreliable.

According to military advisory group officials and program guidance, annual levels of U.S. assistance for major items of equipment are developed from inventory reports provided by the Commander in Chief, Pacific. These reports identify major item authorizations, on-hand balances, and shortages for each authorized element of the Philippine Armed Forces. The reports also contain approved plans to satisfy shortages. Equipment authorization lists prepared by the Philippine Armed Forces are used as the basic tool for programing other support equipment and provide a cross-check with the independent military assistance program inventory records on major items.

We found that inventory data of the Commander in Chief, Pacific, represented major items of equipment programed and delivered to specific elements of the Philippine Armed Forces but that the data did not accurately reflect the equipment

currently on hand in these units. For example, we noted that, for 1/4-, 3/4-, and 2-1/2-ton trucks, the Philippine Army's 1st Infantry Division, at June 30, 1970, indicated accountability for about \$933,000 less than the value of U.S.-furnished equipment shown in inventory records of the Commander in Chief, Pacific. We found similar differences in our tests of the Philippine constabulary's records.

Our tests of Philippine Air Force equipment authorization lists showed that they did not accurately portray U.S.-furnished support equipment on hand in the Air Force units. We found examples of equipment items identified by the Philippine Air Force as being U.S.-furnished that were not shown on the equipment lists furnished to the military advisory group. Some of these items were a band-saw, a prop-governor, a milling machine, and an electric furnace.

We found that equipment inventory data furnished to the military advisory group by the Philippine Navy contained significant errors. For example, the equipment authorization list furnished to the group for one naval station listed the value of the authorized equipment at about \$242,000 and the value of the on-hand equipment at \$35,000. Detailed Navy property records, however, showed \$73,000 of additional equipment on hand which had not been shown on the equipment authorization list.

The Department of Defense advised us in this regard that a commodity manager system for inventory control of assets had been instituted and that action to update and maintain the data base of the Commander in Chief, Pacific, had been initiated and was expected to be completed during fiscal year 1972.

CONCLUSIONS

The above matters are attributable, in our opinion, to an inadequate Philippine defense budget, deficiencies in the logistics system, and lack of equipment. According to the Departments of State and Defense, limited military aid funding causes these problems.

In our opinion, however, limited Philippine budgetary support rather than limited military aid funding is the cause of the problems presented in this report.

Quantities of U.S.-provided equipment have been dead-lined for lack of proper maintenance. Further, savings which might have accrued to the United States were lost because the Philippine Armed Forces had not fully identified and reported excess items for redistribution.

The military advisory group has undertaken programs in certain areas to improve maintenance capabilities, reduce deadlines rates, identify and eliminate excesses, and update and maintain the inventory data necessary to insure accurate programing of requirements. As discussed in chapter 4, the Departments of State and Defense have agreed to implement our recommendations and have expressed their belief that the situation will improve in the future.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress has been made aware in prior GAO reports of the long-term inability and/or reluctance of the Philippine Government to provide adequate support for its defense effort. This report contains information which may be useful to the Congress in its examination into military assistance matters including the status of base-rights negotiations and the success of U.S. efforts to obtain mutually agreed upon levels of Philippine funding in support of mutual security objectives.

The Congress may wish to consider what level of funding of aid to the Philippines is appropriate for achieving U.S. objectives and what alternative aid programs or approaches are more likely to be well received and successful in the event that (1) U.S. efforts to obtain a greater Philippine commitment in support of mutual security objectives prove unsuccessful and (2) the Departments of State and Defense do not reconsider the matter of alternative programs.

MISSIONS OF U.S. MILITARY BASES IN THE PHILIPPINES

At the time of our review, the United States had four major military installations in the Philippines--Clark Air Base, Subic Bay Naval Base, U.S. Naval Communications Station, and Sangley Point Naval Station. The missions of these installations and several smaller U.S. facilities in the Philippines are presented below.

U.S. Air Force

The U.S. Air Force in the Philippines is located at one large installation--Clark Air Base--about 60 miles north of Manila on the Island of Luzon, and three smaller installations--John Hay Air Base, Wallace Air Station, and Camp O'Donnell--also located on Luzon Island. These installations are under the command of the 13th Air Force, whose general area of responsibility includes the Philippines, Taiwan, Trust Territory of the Pacific Islands (less the Marshall Islands), and Southeast Asia, with the exception of Vietnam.

The primary mission of the U.S. Air Force in the Philippines is to provide the logistical support necessary to maintain the U.S. strategic posture in Southeast Asia. In addition, the U.S. Air Force is responsible for managing the Philippine portion of the strategic Defense Communications System, and its own tactical communications system. The U.S. Air Force has certain responsibilities for the air defense of the Philippines, in accordance with the Mutual Defense Treaty of 1951, and also plays a part in the implementation of Department of Defense contingency and war plans. Various units of the 13th Air Force assigned to U.S. bases in the Philippines maintain a state of readiness needed to implement various war and contingency plans.

Logistical support

The 13th Air Force is responsible for maintenance and supply support for over 800 aircraft. Major maintenance of these aircraft is performed at Clark Air Base. Clark Air Base also services military aircraft going to and from Southeast Asia. During calendar year 1969, an average of 5,250 aircraft were serviced and 13.8 million gallons of aviation fuel were dispensed monthly and 41,640 passengers and 6,520 short tons of cargo were processed monthly.

Air Force communications

The Philippines serves a major hub for north-south and east-west military communications for the Western Pacific. The military communications system in and transiting the Philippines consists of two major elements, the Defense Communications System or common-user portion and the Air Force tactical communications. The Air Force is the Defense Communications System manager for the Philippines.

APPENDIX I

U.S. Navy

At the time of our review, the U.S. Navy complex in the Philippines consisted of activities at Subic Bay Naval Complex, Sangley Point Naval Station, and a Naval Communications Station centered at San Miguel. (After our in-country review was completed, the Department of State announced that the Sangley Point Naval Station would be returned to Philippine Government control. The Navy informed us that the transfer of this facility was completed in September 1971.) The naval complex is under the area coordination authority of the Commander, U.S. Naval Forces, Philippines. This commander is also the representative in the Philippines of the Commander in Chief, Pacific; and as such, he is responsible for coordinating all U.S. military activities in the Philippines.

Antisubmarine warfare patrol

Until its relinquishment in September 1971, Sangley Point Naval Station served the primary mission of supporting antisubmarine patrol squadrons deployed in the area. Antisubmarine warfare patrol squadrons have now been transferred to Cubi Point Air Station, a component of the Subic Bay complex. From the site, this units conduct patrol and surveillance operations in their designated Western Pacific areas. The Commander, U.S. Naval Forces, Philippines, has relocated at Subic Bay as a result of the Sangley Point closing.

Navy communications

The Navy has one of its principal communications stations located at San Miguel in the Philippines. The system, known as the Naval Communications Station, Philippines, is important to the 7th Fleet as it is an integral component of the worldwide Naval Communications System. It provides direct tactical and command and control communications to and from the fleet in the Western Pacific area and includes facilities which support the Defense Communication System. In addition to the facilities at San Miguel, the system includes a Naval Link Station at Mount Santa Rita and message centers at the Subic Bay and Cubi Point Stations.

The mission of the U.S. Naval Communications Station, Philippines, is to manage, operate, and maintain those facilities, equipment, devices, and systems necessary to provide communications for the command, operational control and administration of the naval establishment, including operating forces and to operate and maintain those facilities of the Defense Communications System as assigned. This includes operation of portions of the United States-Philippines microwave links and the cable head of the undersea cable to Vietnam as well as the undersea cable to be laid from Taiwan to the Philippines. The Navy also provides certain circuitry to the U.S. Embassy in Manila.

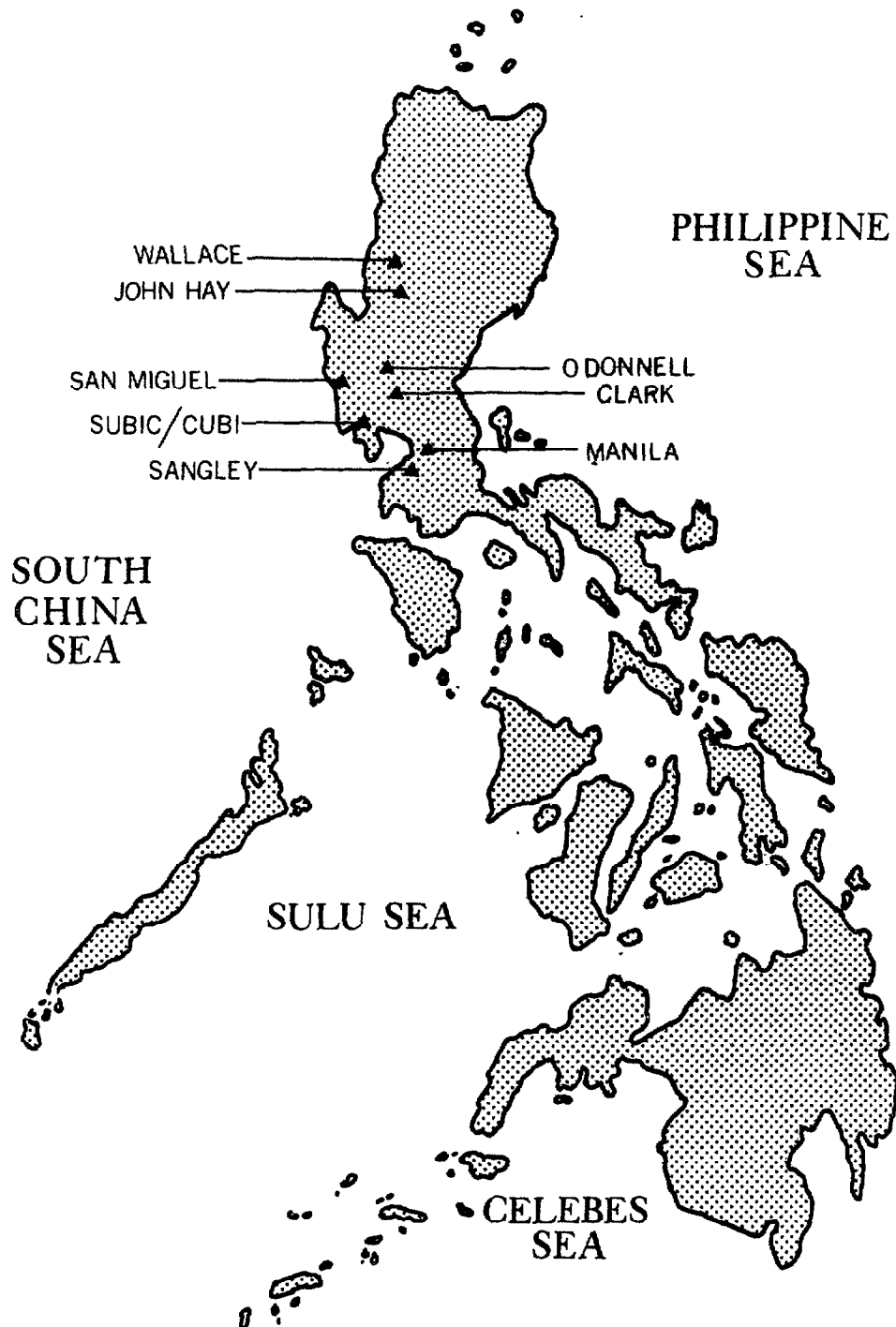
Contingency and war plans

Navy officials would not permit us to review contingency or war plans but advised us that U.S. naval bases in the Philippines are to be ready, without augmented facilities, to perform initial urgent combat support tasks, including providing for all requirements for forces, craft, and aircraft assigned, and fleet units in port and those on the line providing support via underway replenishment. The naval bases in the Philippines are not intended to provide full support for afloat units but are to be developed to the extent required to permit adequate security and naval defense of the bases; full support for local craft, aircraft, and forces and ships permanently assigned; and limited or emergency logistic support for fleet units. To the greatest extent practicable, Mobile Logistic Support Forces are to provide logistic support for fleet units.

U.S. Coast Guard in the Philippines

Prior to October 1970, the Commander, Philippine Section, U.S. Coast Guard, exercised administrative and operational control over five long-range-aid-to-navigation stations in the Philippines. These stations provide an all-weather, long-range navigation system which is in common use by ocean-going vessels and long-range aircraft. In October 1970 these stations were turned over to the Philippine Government for operation and control, and the U.S. Coast Guard will provide necessary assistance up to December 31, 1974.

MAP SHOWING LOCATION OF U.S. BASES IN THE PHILLIPPINES



PRINCIPAL OFFICIALS RESPONSIBLE
FOR ADMINISTRATION OF THE
ACTIVITIES DISCUSSED IN THIS REPORT

		Tenure of office (note a)	
		<u>From</u>	<u>To</u>
<u>DEPARTMENT OF STATE</u>			
SECRETARY OF STATE:			
William P. Rogers	Jan. 1969	Present	
Dean Rusk	Jan. 1961	Dec. 1968	
AMBASSADOR TO THE PHILIPPINES:			
Henry R. Byroade	Aug. 1969	Present	
James M. Wilson, Jr. (Charge d'Affaires)	May 1969	Aug. 1969	
G. Mennen Williams	June 1968	Apr. 1969	
James M. Wilson, Jr. (Charge d'Affaires)	Oct. 1967	June 1968	
William N. Blair, Jr.	Aug. 1964	Oct. 1967	
<u>DEPARTMENT OF DEFENSE</u>			
SECRETARY OF DEFENSE:			
Melvin R. Laird	Jan. 1969	Present	
Clark M. Clifford	Mar. 1968	Jan. 1969	
Robert S. McNamara	Jan. 1961	Feb. 1968	
ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS):			
Dr. G. Warren Nutter	Mar. 1969	Present	
Paul C. Warnke	Aug. 1967	Feb. 1969	
John T. McNaughton	Mar. 1964	July 1967	

Tenure of office
(note a)

From	To
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DEPARTMENT OF DEFENSE (continued)

DIRECTOR, DEFENSE SECURITY

ASSISTANCE AGENCY, AND DEPUTY
ASSISTANT SECRETARY OF DEFENSE

(SECURITY ASSISTANCE) (note b):

Lt. Gen. George M. Seignious, II	Sept. 1971	Present
Lt. Gen. Robert H. Warren	July 1968	Aug. 1971
Vice Admiral Luther C. Heinz	Sept. 1965	July 1968
General Robert J. Wood	Sept. 1962	Sept. 1965

COMMANDER IN CHIEF, PACIFIC:

Admiral John S. McCain, Jr.	July 1968	Present
Admiral U.S.G. Sharp	July 1964	July 1968

CHIEF, JOINT UNITED STATES

MILITARY ADVISORY GROUP TO
THE PHILIPPINES:

Brig. Gen. James A. Grimsley	Aug. 1971	Present
Maj. Gen. George B. Pickett, Jr.	July 1969	Aug. 1971
Maj. Gen. Lloyd Gomes	Apr. 1967	Apr. 1967
Maj. Gen. James R. Winn	June 1965	Apr. 1967
Maj. Gen. Avelin P. Tacon, Jr.	June 1962	June 1965

^aAs of September 18, 1972, the date of issuance of the classified version of this report.

^bPrior to September 1971, this was the Deputy Assistant Secretary of Defense (Military Assistance and Sales).

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